

# Principles on Order Execution and Selection of Brokers

## 1. REGULATORY CONTEXT

Pursuant to the applicable legislation (§ 82 Securities Trading Act (WpHG) and § 168 (7) Capital Investment Code (KAGB)), portfolio management companies shall take all reasonable measures when they execute orders to obtain the best possible result based on the following seven factors: price, cost, speed, probability of execution and settlement, size and nature of the order and all other consideration relating to the order's execution.

Moreover, and pursuant to paragraph 5 sub-para 2 KAGB in combination with article 65 sub-para 5 of Delegated Directive EU/2017/565, the order execution policy includes, for each category of instrument, information about the systems in which the portfolio management company executes orders and the factors influencing the choice of execution system. It includes at the minimum those systems allowing the portfolio management company to obtain, in the majority of cases, the best possible result for order execution.

Lastly, and pursuant to paragraph 5 sub-para 2 KAGB in combination with article 66 sub-para 3 of Delegated Directive EU/2017/565, portfolio management companies must select a list of market intermediaries for each category of instrument when they transmit their orders to market intermediaries for execution. These selected entities must have order execution mechanisms that allow the management company to meet its obligation to act in the best interests of managed portfolios.

## 2. OBJECTIVE OF THE POLICY

The best selection and execution policy implemented by management company ODDO BHF Asset Management GmbH (hereafter "OBAM GmbH") aims to set out in particular:

- the management company's organisation for executing and trading orders,
- the relative importance that the portfolio management assigns to the factors mentioned in § 82 sub-para 2 WpHG and § 168 sub-para 7 KAGB in particular: the characteristics of the

order in question, the characteristics of financial instruments subject to this order, the characteristics of execution venues to which this order can be transmitted,

- procedures regarding market intermediaries (which may also serve as counterparties),

The policy is available on OBAM GmbH's website: [am.oddo-bhf.com](http://am.oddo-bhf.com).

## 3. ACTIVITIES CONCERNED

The activities of OBAM GmbH that fall into the application scope covered by this document are:

- the management of collective investments: UCITS and AIF under German law whose holders may be professionals or non-professionals in the meaning of MIF directive 2014/65 on Markets in financial instruments,
- management mandates conferred exclusively by professional clients,
- funds and mandates for which the order execution has been outsourced to OBAM GmbH.

These orders follow the order execution policy as described below.

## 4. INSTRUMENTS CONCERNED

The following financial instruments come within the application scope of this policy:

- bonds
- equities
- listed equity derivatives (options and futures)
- listed interest rate derivatives (options and futures)
- listed currency derivatives (futures)
- over-the-counter currency products (currency forwards and spot)
- over-the-counter credit derivatives (index and single name CDS)
- over-the-counter interest rate derivatives (interest-rate swaps)
- funds in the form of ETFs and ETCs
- UCITS funds and AIFs
- structured financial products
- securities lending

## 5. EXECUTION VENUES CONCERNED

The following execution venues come within the application scope of this document:

- regulated markets,
- multilateral trading facilities (MTF),
- systematic internalisers,
- organized trading facilities (OTF)
- market makers,
- other liquidity providers

The unit holder or principal should be aware that OBAM GmbH has the possibility to execute some of its orders for financial instruments admissible for trading on a regulated market or on an MTF or an OTF outside a regulated market so that orders can be executed in the best interests of the management company's direct clients and holders of the funds it manages.

## 6. MARKET INTERMEDIARIES AND COUNTERPARTIES CONCERNED

OBAM GmbH prefers brokers and counterparties regulated within the European Union (EU) to benefit as far as possible from the protection linked to their obligations to implement:

- a best execution policy,
- a conflicts of interest management policy,
- and the associated controls under the supervision of a local regulatory authority.

For transactions in emerging markets securities or global investments, non-EU brokers or counterparties may be more eligible and provide a better execution result. In these cases, such non-EU broker or counterparty may be selected by OBAM GmbH if the other selection criteria are fulfilled and similar policies and regularion apply.

## 7. ORGANISATION OF THE MANAGEMENT COMPANY BY INSTRUMENT

- **Equities, Foreign Exchange and FX Derivatives**

For these instruments, OBAM GmbH has chosen to delegate without exception the execution of all orders to the trading table of ODDO BHF Asset Management SAS in Paris, France (a member entity of the ODDO BHF Group). In this regard, ODDO BHF Asset Management

SAS is in charge of the accreditation process of market intermediaries used to execute orders on the market.

OBAM GmbH has attributed the center of expertise for trading these instruments to ODDO BHF Asset Management SAS in view of its long-dated expertise in the equities market and the creation of an Asset Management business line. Furthermore, ODDO BHF Asset Management SAS has experienced and specialized FX traders.

Orders are sent electronically by OBAM GmbH's fund managers to ODDO BHF Asset Management SAS's trading floor for execution by market intermediaries selected solely by this last company.

- **Bonds, equity derivatives, interest rate derivatives, (listed or over-the-counter), credit derivatives (over-the-counter), ETF, ETC, UCITS and AIF funds**

For these instruments, OBAM GmbH has chosen to centralize the trading of all orders within its own trading floor. In this regard, OBAM GmbH is responsible for the accreditation process of intermediaries selected to execute orders on the market.

All intermediaries used by the management company's teams must appear on the list of market intermediaries authorised beforehand by OBAM GmbH. Inclusion in the list of authorised market intermediaries is based on the prior collection of documents. This constitutes a first filter. An analysis is then made on the basis of discretionary criteria. This makes it possible to define the conditions that a market intermediary has to meet to be authorised. Market intermediaries other than MTFs or OTFs offering direct access to other market intermediaries or participants, are also required to classify OBAM GmbH as a professional client to allow it to benefit from best execution, pursuant to the EU directive 2014/65 (MiFID II). Final validation is given by OBAM GmbH's Risk Controlling Team.

## 8. SELECTION OF MARKET INTERMEDIARIES BY OBAM GMBH'S TEAMS

Within the list of authorised market intermediaries, OBAM GmbH's teams in charge of order trading or transmission select the market intermediary likely to provide the best possible execution in the interests of unit holders or principals for each order submitted for execution.

The pre-trade control system put in place and managed by OBAM GmbH Risk Controlling via the management company's Bloomberg AIM system guarantees the non-use of an unauthorised intermediary by fund managers or the internal trading floor.

## 9. MARKET CHARACTERISTICS

The specific characteristics of each market and of each financial Instrument, including its liquidity, will be taken into account before choosing a market intermediary or an execution venue.

For instruments traded over-the-counter, OBAM GmbH tries to obtain competitive prices from market intermediaries before executing an order with one of them. However, the prices and executable sizes may vary over a short period of time. In some cases, only one buyer or seller will exist for a given financial instrument. OBAM GmbH may therefore have to accept the first price proposal, without having the possibility to obtain competitive prices from other market intermediaries or counterparties.

Price proposals and liquidity may also be obtained electronically through electronic trading platforms such as Tradeweb, Bloomberg or FXGO. However, these trading platforms are not available for all financial instruments.

UCITS funds and AIFs are subscribed to and bought from a transfer agent or centraliser of the funds in question, taking into account the cut-off time set in the prospectus of each fund with the exception of Exchange Traded Funds (ETF), which are bought and sold on the regulated market on which they are listed or via market makers.

## 10. SELECTION FACTORS

We have described below the selection factors for instruments that OBAM GmbH is responsible for trading with market intermediaries or counterparties

- by type of instrument given that each of them can have specific characteristics depending on the nature of the instrument,
- as a function of the execution venues available for this type of instrument,
- as a function of the investment objectives and policies of funds that hold these instruments.

This excludes instruments whose trading is conferred to OBAM SAS.

The following products are regularly ordered or traded by OBAM GmbH:

- Bonds
- Exchange traded derivatives (options and futures)
- OTC Derivatives
- UCITS, AIFs and ETF
- Structured Financial Products

Depending on the group of instruments, the above criteria used for the selection of market intermediaries and execution venues may differ for the purpose of obtaining best execution. OBAM GmbH therefore applies the above criteria according to their relevance as follows:

- **Bonds**

Bonds are traded on electronic trading platforms (i.e. Bloomberg, Tradeweb, MarketAxess) and by phone over the counter outside a regulated market.

Main criteria:

1. Price of the financial instrument
2. Likelihood of order execution

Preferred execution venues:

1. Bloomberg
2. Tradeweb
3. MarketAxess
4. Liquidnet
5. Systematic internaliser (SI)
6. OTC (over the counter)

- **Listed derivatives:**

Exchange traded derivatives (futures, options) are generally executed on the relevant futures exchange.

Main criteria:

1. Costs of execution
2. Price of the financial instrument

Preferred execution venues:

OBAM GmbH selects an eligible intermediary according to the specific features of the instruments to be traded (option on the issuer or options and futures on indices). The execution venue is the respective exchange on which the instrument is listed.

Best execution is ensured by the market intermediary on the basis of its own best execution policy.

- **OTC Derivatives (excluding FX Derivatives)**

OTC Derivatives transactions are traded on electronic trading platforms or by tele-phone. It is always imperative that there is a derivatives master agreement (German Master Agreement or ISDA Master Agreement) in place with the Company, and the Company has met all organizational requirements to comply with the requirements attached to transactions in accordance with the EMIR (European Market Infrastructure Regulation), such as collateralization.

Main criteria:

1. Probability of the order's execution
2. Price of the financial instrument
3. Fair prices compared with market prices

Favored execution venues:

- Electronic platforms
- over-the-counter (OTC) by telephone

- **Fund units/shares, unlisted AIF when they are target funds**

Acquisitions and redemptions by OBAM GmbH's fund managers from UCITS funds or AIFs that are not directly listed are transmitted by centralisers of these funds, as set out in their prospectuses.

- **ETF (exchange traded funds) when they are target funds**

Orders are traded by OBAM GmbH's trading floor. ETF are traded on electronic trading platforms or with market makers.

Best execution is ensured by the market intermediary on the basis of its own best execution policy.

Principal criteria:

1. Market liquidity
2. Price of the financial instrument
3. Execution costs
4. Order volume

Favoured execution venues:

1. Regulated markets
2. Market makers

- **Structured Financial Products**

The preferred execution is via the Issuer direct, alternatively – depending on the order volume – they are traded over-the-counter with a market maker on Bloomberg Exchange.

## **11. REVIEW AND CONTROL OF BEST SELECTION AND BEST EXECUTION**

OBAM GmbH has put in place a mechanism to check the effectiveness of the process described above in order to detect any malfunctions where possible and to resolve them if necessary. In particular, OBAM GmbH regularly checks that the order selection systems and the quality of order execution by market intermediaries ensures the best possible outcome for the client, or if modifications need to be made to these systems. OBAM GmbH's control teams make these checks periodically.

This review must also be made each time a structural change occurs in the terms offered by market intermediaries, a change that OBAM GmbH considers important, permanent and likely to have a lasting impact on its capacity to obtain the best possible result for its professional clients under mandate, as well as for the UCITS funds or AIFs that the company manages.

## **12. SPECIFIC CLIENT INSTRUCTIONS**

In the highly exceptional case where a specific instruction is given by a holder (solely in the framework of a dedicated fund with a single investor) or in the framework of a management mandate, OBAM GmbH shall be considered to have fulfilled its obligations, without having to take the measures set out in this policy, and to the extent that OBAM GmbH fulfills these specific instructions.

In the event of specific instructions given by a client (exclusively in the context of a dedicated fund or a management mandate) not to use some market intermediaries (market intermediary of the ODDO BHF Group or minimum rating of the market intermediary by a rating agency, etc.) or to use specific market intermediaries, the client is fully aware that he or she may not be able to benefit fully from the best selection conditions and consequently from the best execution conditions in terms of price, quantity or execution timing. In particular, the customer may not benefit from a block offered by an intermediary that cannot be selected for the reasons mentioned above.

### **13. DELEGATION OF THE PORTFOLIO'S MANAGEMENT**

When OBAM GmbH delegates portfolio management and order execution to a third party duly accredited for this purpose, this delegated manager is responsible for best execution, as well as the selection of market intermediaries.

### **14. CASE OF GROUPED ORDERS**

OBAM GmbH may group orders together. In this case, it ensures that the impact of the grouping of orders is not detrimental to unit holders or principals. The latter are nonetheless informed that the grouping can have a negative effect compared with the execution of a specific order. An order allocation procedure is implemented to ensure a fair allocation of grouped trades and orders. This procedure sets out the conditions in which orders are allocated in case of partial execution. Partial executions are allocated on a pro rata basis unless other factors, such as minimum transaction amounts, require a different allocation.

### **15. RESPONSIBILITIES**

OBAM GmbH is required to undertake an annual review of its policy. In the event of a major modification to the provisions in this document, an update shall be made immediately. It is the responsibility of the fund unit holders or principals of OBAM GmbH to connect periodically to the company's website to obtain information about the most recent provisions in force.

### **16. FORCE MAJEURE**

In case of an event of *force majeure*, OBAM GmbH may temporarily waive one or several of the principles set out in this policy while ensuring that it acts in the interests of managed portfolios.

## ANNEX

### Brokers and execution venues in alphabetical order

- ABN AMRO Bank N.V.
- AUREL BGC
- B. Metzler seel. Sohn & Co. Aktiengesellschaft
- Baader Bank Aktiengesellschaft
- BANCO BILBAO VIZCAYA ARGENTARIA SOCIEDAD ANONIMA
- BANCO SANTANDER, S.A.
- BANQUE DE LUXEMBOURG
- Banque Pictet & Cie SA
- BARCLAYS BANK IRELAND PUBLIC LIMITED COMPANY
- BAYERISCHE LANDESBANK
- BNP PARIBAS
- BOFA Securities Europe SA
- BSG FRANCE S.A.
- CACEIS BANK
- CANTOR FITZGERALD EUROPE
- Citibank, National Association
- Citigroup Global Markets Europe AG
- COMMERZBANK Aktiengesellschaft
- Coöperatieve Rabobank U.A.
- CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK
- CREDIT INDUSTRIEL ET COMMERCIAL
- DANSKE BANK A/S
- DEKABANK DEUTSCHE GIROZENTRALE
- Deka Verwaltungsgesellschaft Luxembourg S.A.
- DEUTSCHE APOTHEKER- UND ÄRZTEBANK EG
- DEUTSCHE BANK AKTIENGESELLSCHAFT
- DNB Carnegie Investment Bank AB
- DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
- DZ PRIVATBANK S.A.
- FLOW TRADERS B.V.
- Goldman Sachs Bank Europe SE
- Hauck Aufhäuser Lampe Privatbank AG
- HSBC BANK PLC
- HSBC Continental Europe
- HSBC TRINKAUS & BURKHARDT GMBH
- ING Bank N.V.
- INSTINET GERMANY GMBH
- J.P. MORGAN DUBLIN PUBLIC LIMITED COMPANY
- J.P. Morgan SE
- J.P. MORGAN SECURITIES PLC
- JANE STREET Netherlands B.V.
- JEFFERIES GmbH
- Joh. Berenberg, Gossler & Co. KG
- KEPLER CHEUVREUX
- Kepler Cheuvreux (Suisse) SA
- Kreissparkasse Köln
- KROLL ISSUER SERVICES LIMITED
- Landesbank Baden-Württemberg
- LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE
- Landesbank Saar
- M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien
- MARKETAXESS CAPITAL LIMITED
- Mizuho Bank Europe N.V.
- MORGAN STANLEY EUROPE SE
- MUFG Securities (Europe) N.V.
- NATIXIS
- NatWest Markets N.V.
- Nomura Financial Products Europe GmbH
- Nomura International PLC
- NORDDEUTSCHE LANDESBANK - GIROZENTRALE -
- OCTO FINANCES SA
- ODDO BHF SCA
- ODDO BHF SE
- RBC Capital Markets (Europe) GmbH
- Skandinaviska Enskilda Banken AB
- SOCIETE GENERALE
- Sparkasse KölnBonn
- State Street Bank International GmbH
- Stifel Europe AG
- THE BANK OF NEW YORK MELLON
- THE TORONTO-DOMINION BANK
- TP ICAP (EUROPE)
- TRADEWEB EXECUTION SERVICES B.V.
- UBS Europe SE
- UniCredit Bank GmbH
- VAN LANSCHOT KEMPEN N.V.
- Volksbank Rhein-Nahe-Hunsrück eG
- Vontobel Securities AG
- WESTPAC BANKING CORPORATION
- Wolfgang Steubing AG Wertpapierdienstleister